

**1/11/79**

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MEANY - KIRKLAND - DONOHUE  
PAUL HALL - CHICK CHAIRMAN -  
LLOYD MC BRIDE - MARTIN WARD  
BILL WIMPISINGER - JERRY WURF

DAVIS - BACON ACT } NO Δ  
MIN WAGE ACT }  
LABOR LAW REFORM  
'80: Title I Ed - Bilingual -  
Spec Ed - Head Start -  
CHAP - MH - ECON DEV -  
CIV Rts - POOR + \$4B  
Youth job slots - same  
Pub fin Cong elections  
Hosp Cost Cont } Min W  
Soc Sec reforms } taxes  
Anti inflation. RWI  
Consultation

meeting with george meany 1/11/79

THE WHITE HOUSE  
WASHINGTON

Meany. Consultation inadequate  
W&P - tentative  
Budget - final  
RWI - never discussed - 3 wks  
8/78 - 10/78 mts a charade  
Strauss - no contribution

Lloyd - agree & pres M

Chick - patriots, etc

Jerry - budget

Paul Liaison & relationships

Int unions - good - Nat AFL-CIO - no

Lane Strategic decisions - early

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THE PRESIDENT'S SCHEDULE

Thursday - January 11, 1979

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8:00 Breakfast with Economic Advisers. (Mr. Alfred  
(60 min.) Kahn) - The Cabinet Room.

9:00 Dr. Zbigniew Brzezinski - The Oval Office.

10:00 Secretary Ray Marshall. (Mr. Jack Watson).  
(15 min.) The Oval Office.

10:30 Mr. Jody Powell - The Oval Office.

11:15 Mayor Marion S. Barry. (Mr. Jack Watson).  
(15 min.) The Oval Office.

12:00 Congressman William Lehman. (Mr. Frank Moore).  
(10 min.) The Oval Office.

12:25 Ms. Wilma Rudolph. (Mr. Frank Moore).  
(3 min.) The Oval Office.

12:30 Lunch with Mrs. Rosalynn Carter - The Oval Office.  
(60 min.)

2:00 Presentation of Diplomatic Credentials. (Dr. Zbigniew  
(40 min.) Brzezinski) - The Oval Office.

3:45 Attorney General Griffin Bell - The Oval Office.

10:00 AM



THE WHITE HOUSE  
WASHINGTON

January 11, 1979

MEMORANDUM FOR

THE PRESIDENT

FROM:

LONDON BUTLER

SUBJECT:

Meeting with Secretary Marshall

DATE: Thursday, January 11, 1979

TIME: 10:00am (15 minutes)

LOCATION: The Oval Office

Ray Marshall wants to meet with you to discuss the general subject of the Administration's relationship with organized labor.

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breakfast with economic advisers 1/11/79  
the cabinet room

THE WHITE HOUSE  
WASHINGTON

Mexico gas - Schlesinger  
Oil wage contract - Amoco/Gulf  
8-75  
Teamsters -  
Fitzsimmons - dereg  
Nominees → ICC  
Corps personnel 3  
Infl 1st of '79 3

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THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

EYES ONLY

January 10, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CLS*  
Subject: Producers Prices in December

Tomorrow (Thursday, June 11) at 9:00 a. m. the Bureau of Labor Statistics will release the figures on producers (wholesale) prices in December. There is yet no sign that inflation is abating.

Prices of all finished goods rose 0.8 percent in December, as they had in November. (The annual rate of increase in December was 10.7 percent.) Consumer finished foods rose 0.9 percent last month, vs. 0.6 percent in November; nonfood finished goods rose 0.8 percent in both November and December.

The acceleration of food prices in December reflected a renewed rise of meat prices and a turnaround in prices of fruits and vegetables. Cold and snow in the Midwest have slowed marketing of livestock during recent weeks, so that meat prices may well go up further at wholesale in January. The near-term outlook for consumer food prices is thus not good.

Among nonfood finished goods, price increases were very large for refined petroleum products (4 percent for gasoline, 3 percent for kerosene, 2 percent for fuel oil). These prices have been rising faster than the total for the past several months, largely reflecting market demand and supply factors. Earlier this year, supplies of refined products had been relatively ample, and price rises were limited. Stocks -- particularly of gasoline -- were reduced because of strong demand over the summer and early fall months, and so prices began rising faster this fall.

There is no evidence as yet that the anti-inflation program is having an effect on price behavior. It is still much too early, however, to draw any conclusions about the likely success of the program.

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THE WHITE HOUSE  
WASHINGTON

1/11/79

Landon Butler

The attached was returned in  
the President's outbox. It is  
forwarded to you for your  
information.

Rick Hutcheson

FOR ACTION  
FYI

FOR STAFFING  
FOR INFORMATION  
FROM PRESIDENT'S OUTBOX  
LOG IN/TO PRESIDENT TODAY  
IMMEDIATE TURNAROUND  
NO DEADLINE  
LAST DAY FOR ACTION

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARONSON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FIRST LADY

HARDEN

HERNANDEZ

HUTCHESON

KAHN

LINDER

MARTIN

MILLER

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

WARREN

WEDDINGTON

WISE

VOORDE

ADMIN. CONFIDEN.

CONFIDENTIAL

SECRET

EYES ONLY

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

*Very good!*  
*J*

MEMORANDUM TO THE PRESIDENT

FROM: LONDON BUTLER *LB*  
DATE: JANUARY 11, 1979  
SUBJECT: OCAW NEGOTIATIONS

Al Grospiron of the Oil, Chemical and Atomic Workers International Union (OCAW) accepted this morning the Gulf Oil proposal which you discussed in the inflation breakfast today.

Although Grospiron has accepted the Gulf proposal as a pattern for the industry, formal ratification will not be complete for 4-5 days.

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## THE WHITE HOUSE

WASHINGTON

January 9, 1979

MEETING WITH REP. BILL LEHMAN (D-13-FLORIDA)

Thursday, January 11, 1979

12:00 noon (10 minutes)

The Oval Office

From: Frank Moore *F.M./BK*I. PURPOSE

To introduce Dr. Ayub K. Ommaya, Chief of the Section for Applied Research in Neurosurgery at the National Institute of Health, and to discuss the direction of medical research in this country.

II. BACKGROUND, PARTICIPATION & PRESS PLAN

**Background:** Dr. Ommaya first performed brain tumor surgery on Representative Lehman's daughter, Kathy, in 1976. In September, 1978, he operated again, involving a different more active tumor, and installed the "Ommaya Reservoir", a technique he developed for brain tumor control. The "Ommaya Reservoir" entails injections using the chemotherapy method as well as the newly released Thymosin, an immunization drug. These injections into the reservoir continue monthly for a number of years to maintain brain tumor control.

Bill Lehman has been quite impressed with Dr. Ommaya's ideas about medical research and particularly wants to discuss the doctor's innovative research in the areas of spinal cord regeneration and malignant tumors of the brain.

Before the second operation, Representative Lehman contacted Frank Moore's office asking for our assistance. Evidently, there was a reorganization of the neurosurgery department at NIH involving many staff and budget changes which made Dr. Ommaya feel his research was in danger of being curtailed and interrupted. Frank Moore's office contacted NIH and they assured us that Dr. Ommaya would receive better treatment in regard to these proposed changes.

Rep. William Lehman  
Page two

Dr. Ayub Khan Ommaya is forty-six years old and was born in Pakistan. He was educated in Britain before coming to the United States.

Representative Bill Lehman has been the White House's best supporter in the Florida delegation. He has voted with us on every major issue in the 95th Congress and is very appreciative of our help regarding Dr. Ommaya. His wife's name is Joan and they have three children and four grandchildren.

Additional Information:

Committees:                   # 13   Budget  
                                  Task Forces:   Economic Policy  
  National Security

                                  # 9    Post Office and Civil Service  
                                  Subcommittees: Census and Population  
  (Chairman)

  Employee Ethics and  
  Utilization

Administration Support:       89%

Participants:   The President, Representative Lehman, Frank Moore,  
                                  Dr. Ommaya, Jim Free.

Press Plan:       White House Photographer only.

III.   TALKING POINTS

1.   Inquire about Kathy Lehman's health
2.   Tell Congressman Lehman that you look forward to a close working relationship with him in the 96th Congress.
3.   Congratulate Dr. Ommaya on his innovative cancer treatment and encourage him in his research.

12:25 PM

## THE WHITE HOUSE

WASHINGTON

January 9, 1979

### PHOTO SESSION WITH WILMA RUDOLPH

Thursday, January 11, 1979  
12:25 p.m. (2 minutes)  
The Oval Office

#### I. PURPOSE

To have a photo taken with Olympic star Wilma Rudolph.

#### II. BACKGROUND, PARTICIPANTS & PRESS PLAN

Wilma Rudolph is in town today doing some promotion spots for MinuteMaid which is one of the corporate partners for the 1980 Olympics. She is known as one of the top female athletes in the world because of her superlative showing in the 1960 Olympic Games. It was the first time that an American woman won three gold medals in a single Olympic competition.

Wilma Glodean ("Skeeter") Rudolph was born in 1940 the fifth of eight children in a small town approximately 40 miles from Nashville. Her father was a porter and her mother -- a domestic. She weighed only four and one-half pounds at birth and suffered with double pneumonia and scarlet fever at the age of four. The twin illness left her with the use of only her right leg. Thanks to the devotion and therapy exercises provided by her family, she developed into an outstanding basketball athlete by the time she was a teenager.

At a tournament in Nashville, Wilma attracted the attention of Ed Temple, the women's track coach at Tennessee State University, who saw in her a potentially great runner. During the summers, her high school track coach would drive her to the campus of the University for daily practice enabling her to train for the Olympic Games in Rome in 1960.

There, she won gold medals for the women's 100 meter and 200 meter dashes and anchored the 400 meter team. In the same year she was named Female Athlete of the Year by the Associated Press and the International European Press.

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Wilma Rudolph  
Page two

It is interesting to note that she has attended every Olympics since 1960, often taking on the job of impromptu coach.

After her triumph at the Rome Olympics, Miss Rudolph traveled around the world breaking other track records. However she continued her education and received a B.A. Degree in elementary education at Tennessee State University. She taught high school physical education for seven years and now, at the age of 38, spends most of her time as an author, lecturer, and businesswoman. Presently, she is working toward her Masters and Doctorate degrees.

Wilma Rudolph has published her autobiography which was made into an NBC television movie and is, at this time, writing a handbook about track. She is also promoting programs for black female athletes which would train them for careers in the media field. Wilma Rudolph is working, in conjunction with NBC, Coca Cola, and MinuteMaid, to promote the coverage of the 1980 Olympics in Russia.

She is married to Robert Eldridge and has four children -- Yolande - 20, Djuana - 14, Robert - 13, and Xurry - 8 years old. Ms. Rudolph was under consideration for a slot under your Council on Physical Fitness but was not selected. Our Presidential Personnel Office indicated, however, that they hope to find a spot for her in the future.

Participants: The President, Jim Free, Wilma Rudolph, Brooks Parker (her manager and Commissioner of the Department of Employment Security in Nashville), and Albert G. Munkelt (Public Relations for Coca Cola --Food Division), and Louis Martin possibly.

Press Plan: White House Photographer and two wire photographers only.

### III. TALKING POINT

Congratulate Wilma Rudolph on her past Olympic achievements and encourage her to continue her work with youthful athletes as well as her active participation in the promotion of the Olympics.

11:15 AM

THE WHITE HOUSE

WASHINGTON

January 10, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

JACK WATSON *Jack*

SUBJECT:

Meeting with Marion S. Barry,  
Mayor of the District of Columbia.  
January 11, 1979; 11:15 a.m.  
Oval Office

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You are scheduled for a fifteen minute meeting with Marion Barry. He will be accompanied by his chief aide, Ivanhoe Donaldson. The Vice President and my Deputy, Gene Eidenberg, will attend. (I will be in Vermont for a long-standing commitment associated with our rural development efforts.)

There will be a one minute photo session for the press at the beginning of the meeting. Following the meeting, the Mayor will join White House Staff in the Roosevelt Room for a working meeting which the Vice President will chair.

The purpose of the meeting is for you and Mayor Barry to get acquainted. His major concern is that the Administration recognize the unique character of the District of Columbia both as the nation's capital and as a municipality with many characteristics of a state. He will be seeking assurances that you and your Administration are sensitive to the special problems this status creates for him as Mayor. For example, the Mayor is particularly sensitive to the District's relations with federal agencies where there is occasional evidence that the District is being treated as simply an extension of the federal administration.

You can reassure the Mayor by noting your desire that he have the same full and continuing access to the White House as any mayor or governor through my office and staff. The Mayor may not be fully familiar with the priority you attach to intergovernmental relations and may be concerned that having my office serve as

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liaison is a step in the wrong direction given the Vice President's chairmanship of the D. C. Task Force you appointed. We have consulted with the Vice President's staff and there is agreement that my office should handle this liaison responsibility.

In addition to setting the general tone of the relationship between the Carter and Barry Administrations, the Mayor may briefly raise several issues. You are not expected to make any decisions. Gene will take notes and be able to follow-up on any issues raised. Those that may be raised are:

- Pension funding. Top District priority. OMB has already begun a study to develop new legislation following your veto of the bill passed by the last Congress.
- Federal payment. Your D. C. Task Force recommended a multi-year payment formula. OMB is working on this. Barry may ask for support for a FY 1979 supplemental to restore a Congressional cut last year. This should be referred to OMB.
- District budget. The Task Force recommended the Federal government be removed from the District's budget process by 1982. OMB is working on this.
- St. Elizabeth's Hospital. The Task Force recommended transfer to the District by 1982. Joe Califano has a full-time staffer working on St. E's accreditation. Negotiations with OMB, HEW, and the District on the financing of St. E's following transfer are continuing.
- Metro financing. You have been supportive of meeting the goal of the full 100 mile Metro system, but have not committed the Federal government to financing the costs.

Barry may raise other issues which can be referred for appropriate staff and agency consideration.

Barry has publicly expressed his concern about your FY 1980 budget and its impact on the cities. If this issue is raised you should, of course, stress the importance of stemming inflation to every city in the country.



MEETING WITH MAYOR MARION BARRY

ADDENDUM FROM PRESIDENTIAL PERSONNEL OFFICE

During your meeting with Mayor Barry, the subject of Judy Rogers may come up. Ms. Rogers was recommended to us by Louis Martin and the Vice President's office as a potential Inspector General. She is an impressive black attorney who has had considerable governmental experience.

We were impressed with her and referred her to several agencies. Doug Costle and EPA liked her and recommended that she be an IG at EPA. We agreed enthusiastically and checked with Ms. Rogers to see if she would accept such an appointment if offered. We learned that Barry was trying to convince her to remain in the District of Columbia Government so we pushed Ms. Rogers hard on this subject. She told us she preferred to serve in the Administration and committed herself to the EPA job, if offered, and decided to continue in her present position only until she was confirmed by the Senate. It was on this basis that we recommended her to you. She repeated that commitment to Doug Costle and Barbara Blum at EPA.

You made the decision to nominate her, and since then Mayor Barry has relentlessly pushed her to change her mind. If the subject is raised, we recommend that you tell Barry that you understand that Ms. Rogers has already made a commitment to the Administration and you think she should be left alone to honor that commitment.

10:00 a.m.

THE WHITE HOUSE  
WASHINGTON

January 11, 1979

MEMORANDUM FOR: THE PRESIDENT  
FROM: STU EIZENSTAT *Sh*  
SUBJECT: Meeting with Ray Marshall

Secretary Marshall wants particularly to discuss with you tomorrow's meeting with George Meany. Marshall has relayed two key items:

- 1) Meany has been very helpful with Al Grospiron of the Oil Chemical and Atomic Workers. Grospiron asked Meany for help with his strike fund to strengthen his hand in bargaining. Meany refused and as a result it now appears likely that Grospiron will settle close to the guidelines.
- 2) Meany and all other union leaders with whom I have spoken are very concerned about our position on the minimum wage and Davis/Bacon issues. They understand that we will not propose or support legislative change. They want assurance that in addition we will oppose any legislative change when these issues are brought to the floor of Congress. I have consulted with Schultze, Kahn, Blumenthal and Marshall on this issue. We will make a recommendation to you shortly.

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8:00 AM

THE WHITE HOUSE  
WASHINGTON

9

January 10, 1979

MEMORANDUM TO THE PRESIDENT

FROM: A.E. Kahn

Fred

SUBJECT: Breakfast Meeting on Inflation, January 11, 1979, 8:00 a.m., The Cabinet Room

I suggest we discuss the following issues with you.

1. Collective bargaining negotiations in the oil refining industry.
2. The upcoming negotiations in trucking.
3. The role of State and local governments in the anti-inflation program.
4. Extension of the procurement certification program to other areas of government activity.
5. Expansion of CWPS.

I attach brief background summaries on each.

You will recall, also, that at our last meeting you expressed concern that some of the newspaper articles reporting the dropping of the paperworkers' suit in Oregon to get an injunction against our threatened use of contracting sanctions gave the impression that we were not taking the enforcement of compliance seriously. I enclose a draft of a letter to the Wall Street Journal I have prepared: their editorial on the subject was the most misleading. We may decide instead to make these statements at a press conference next week, in which we will be discussing the newly issued procedural regulations: if you have any opinion on this, I would of course be glad to follow it.

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## 1. Labor Negotiations in the Oil Industry

The contract negotiations currently in progress in the oil refining industry constitute the first major test of the pay standard in a collective bargaining situation. Negotiations in this industry take place at the local plant level, with guidance from the union headquarters. A settlement at one plant tends to establish a pattern that is quickly adopted at other plants throughout the industry. Thus, the union can choose the best possible settlement from a large number of different company offers.

The companies have adhered steadfastly to the pay standard throughout the negotiations, and the union seems to have accepted the need for a final settlement near the 7-percent standard. In fact, it is prepared to sign a one-year contract with Standard Oil of Indiana that would fall within the 7-percent standard.

This proposed settlement, however, raises problems for other companies in the industry. First, it is an offer that is stated in cents per hour rather than as a percentage increase. Because the average wage base at Standard Oil of Indiana is above that of most other refinery companies, the same cents-per-hour increase for other companies would put them 0.1 to 0.2 percentage points above the 7 percent limitation

More seriously, Standard of Indiana has proposed not to apply the increase to entry-level wage rates and to use the resulting savings to grant higher general wage increases. This action allows them to pay an extra 8¢ an hour in general wage increases. If the same total package were granted by other firms, however, they would realize smaller savings from a freezing of entry rates and would exceed the pay standard by 0.5 percentage points or more.

We believe that it is vital to the success of the program that this first major contract settlement comply with the 7-percent standard in an unambiguous fashion. Thus, we have informed the union that the Standard Oil of Indiana settlement would be acceptable for other companies only if the 8¢ component is cut back in each case to be no more than that company's actual savings from a freezing of entry rates.

The problem with this approach is that the union finds it difficult to accept different wage increases among the different companies. They could, alternatively, scale back the Standard Oil of Indiana offer to an amount that would be consistent with the standards if granted by other companies in the industry.

The companies will not make an offer in excess of the pay standard, at this time, without our approval. At the same time, the union is reluctant to precipitate a strike that would be long and costly to its members. A strike may, however, occur. We must be fully prepared for such a contingency. We have organized a staff group to assess the potential economic impact of a strike and to monitor it closely should one occur. From past experience, it appears a strike would have little impact on production (refineries can be operated by supervisory workers) for at least 30 days. Even beyond that time the production losses would be small unless maintenance problems become severe. There is a danger, however, though it is unlikely that eventually the oil companies' Teamster employees might go off in sympathy; that could seriously interfere with the flow of gasoline and heating oils to market.

We do not want to precipitate an unnecessary strike. Yet, at the present time, we believe that the principle of holding to an unambiguous 7-percent limit justifies a strong negative response to the suggestion that the Standard Oil of Indiana offer set a pattern that could be followed by other companies.

We have adopted a policy of absolutely no public comment and we are receiving regular reports on the situation from the Federal Mediation and Conciliation Service.

## 2. Trucking Industry Negotiations

We have had several meetings with the Teamsters and the trucking industry negotiators to examine the issues and explain our concern with the results of their negotiations, which should come to a conclusion in March. We feel that if the oil industry negotiations conclude with a settlement within the pay standard, there is a fair chance of achieving a similar outcome in trucking.

Obviously, a strike would have far more serious economic consequences in the trucking industry than in oil refining. But the union and the management are well aware of the fact that a violation of the pay standard would provide a strong impetus to our efforts to achieve major regulatory reforms in the industry. At the same time, competitive pressures within the industry from owner-operated trucks and non-union operators provide them with their own reasons for negotiating a moderate pay increase.

The negotiations will revolve around improvements in pensions and other benefit programs. It is an extremely complex negotiation and we must be very careful to assure that our own statements do not inflame the situation. Ambassador Strauss is playing a major role as a direct contact with Mr. Fitzsimmons.

### 3. State and Local Governments

We have made some progress in developing a program for State and local government involvement in the anti-inflation effort. That effort will include three major components:

1. A number of voluntary anti-inflationary actions State and local governments can take on their own.
2. A proposal for deregulation and simplification of the grant-in-aid system.
3. An outreach plan to involve Governors, state legislators and local officials in high visibility activities in support of the anti-inflation program.

I will be meeting privately next week with Governor Carroll, Chairman of the National Governors Association, to discuss the program.

Agency comments are being incorporated into a paper setting out voluntary actions state and local governments can take, and a revised draft will be ready next week for consideration by the senior staff. We have also set up a meeting with the representatives of the public interest groups on January 19 to review the revised draft of the program. We expect to be able to arrange a February meeting with the principals.

We have made substantial progress in obtaining compliance with the pay standard. The Illinois legislature took action last week to reduce their own scheduled salary increase and to adopt a State pay plan that is consistent with the standard. We participated in similar successful resolutions by the Chicago, Boston, and Providence City Councils. We have been notified of many government pay actions that do comply and there are only a few remaining situations of noncompliance.

As part of the outreach program, we will ask each State to set up an anti-inflation council similar to that established by Governor Graham in Florida. They have already been asked to identify a contact person with whom we can work to implement some of the anti-inflation proposals. In several states -- particularly Connecticut and North Carolina -- the Governors have taken some very positive actions in support of the program. In Wisconsin Democratic legislators are interested in doing the same. I will be visiting both North Carolina and Florida on February 1 to participate in events sponsored by the Governors.

#### 4. Compliance Certification for Nonprocurement Expenditures

We have concluded that it would be a mistake at this time to seek a legislative change requiring certification for Federal grants to State and local governments. We will seek the commitment of States to the pay standard and the development by them of a procurement certification program, but we believe these objectives can be achieved without legislation.

We have, however, asked all the Federal agencies to examine their other grant programs (research, contracting, etc.) to determine the extent to which they can require certifications of compliance from recipients.

#### 5. Expansion of CWPS

We have prepared a memorandum for your consideration that recommends an additional expansion of the Council on Wage and Price Stability by 90 persons, to a total of 233.

The seriousness with which the program has been treated by the private sector has generated far more correspondence, suggestions for government actions, and requests for interpretations with respect to specific situations than was envisioned initially. If we pursue the extension of the procurement program to the States and other Federal outlays, there will be a sharp increase in requests by would-be contractors for interpretations of the standards. We feel that the inadequate size of the CWPS staff will jeopardize the success of the program. Our inability to respond adequately will dampen public support for the program. We are receiving something like 1,000 letters a day -- from consumers complaining about price increases, from businessmen pledging compliance, or asking for interpretations of the standards, or calling allegedly burdensome regulations to our attention and asking us to redeem our pledge to reexamine them. And we have all sorts of evidence that our inability to respond adequately threatens to have very undesirable effects on the public's acceptance of the entire program.

DRAFT

Wall Street Journal -- Letter to the Editor

Now that we have issued the final regulations for our planned use of Federal procurement to help combat inflation, it seems to me urgent to correct the confusing signals you have been sending your readers.

In a December 11 editorial, you characterized this plan as "a breathtaking Federal power grab," a manifestation of the "Imperial Presidency" and an illegal abuse of the procurement authority. In a subsequent editorial on December 28, you said the issue "looks to us like a dead letter, at least to judge by the government's own case in the suit by the Paperworkers' Union in Oregon. Instead of defending the program, the government chose to deny its existence..."

I'm less concerned about the first message than the second, for the latter implies that we have abandoned the plan itself. That is simply not so. Companies would therefore not "be well advised," as you tell them in your second editorial, simply to ignore the standards.

Your confusion may have arisen, in part, because from the outset the Administration has tried not to oversell the effects of these contract requirements. We did not want to bring the process to a grinding halt by requiring advance

government audits of contractors; a simple, self-enforcing certification would suffice. Nor did we want to bite off more than we could chew, by imposing requirements on each of the millions of separate contract actions that the government executes with 250,000 companies each year. So we decided to concentrate our initial efforts on the biggest ones.

The newly-issued regulations explicitly confirm these initial intentions. At the outset, we will require certifications of compliance with wage and price standards only on contract actions exceeding \$5 million, which account for better than 40 percent of the total. (We intend to lower that threshold as we gain experience with the program. But, of course, the expanded application of the regulations will be prospective only.) Certifications will not reach over into corporate affiliates that are not themselves parties to a contract.

The Council on Wage and Price Stability will monitor companies for possible violations of the wage-price standards. Should it find that a violation has occurred, it will list the company as non-compliant. Those companies so listed will be precluded under Office of Federal Procurement Policy regulations, from receiving Federal contracts in excess of the threshold amount, and may, in fact, have existing contracts terminated if it is determined that they wrongfully certified compliance.

This is our policy, as we have intended it from the very start.

How does that comport with our position in the Oregon case? In that case, the Association of Western Pulp and Paper Workers (AWPPW) attempted to obtain a preliminary injunction to stop the procurement program, on the grounds that the contract sanctions are illegal.

At the time the suit was filed, regulations for putting the procurement plan into effect had not yet been finalized. Moreover, the paper companies involved had contracts with the government amounting to less than \$5 million each, and so fell outside the scope of the program, as we had initially planned it. So, not only was the lawsuit premature, the issue was moot before it ever got off the ground. It is not surprising, therefore, that the Justice Department chose not to make it a major test of the President's plan.

This is not to deny that we do have a serious legal issue here, which is likely to be tested in the courts. But companies had better have a fuller appreciation of what did and did not happen in Portland than you've provided them, before judging for themselves whether or not to comply with the anti-inflation standards.

We certainly think that this plan is well within the

President's statutory authority. The Federal Procurement Act of 1949 requires the Executive Branch to award contracts to firms submitting offers "most advantageous to the government, price and other factors considered." We also believe that compliance with the guidelines is "advantageous to the government."

The Federal contracting tool -- now worth \$90 billion a year -- has consistently been used to help the nation solve its social and economic problems. There are currently over forty different contract stipulations on the books, dealing with such things as the use of prison products, wage standards, small business preferences, "Buy American" protections, and affirmative action. Some, like EEO, originated in executive action; most -- like the Procurement Act and the Davis-Bacon Act -- are grounded in statutory provisions under which executive discretion is exercised.

Viewed in light of these precedents, we think your assertion that President Carter's decision to use procurement authority to fight inflation is "almost surely an illegal abuse of the procurement authority" is wrong.

So is your assertion that the "Justice Department's actions (in Oregon) show no confidence in its ability to uphold the program against a major challenge." The facts are that the union

had not attempted to resolve its dispute with the program administratively before going to court, and the case was therefore premature.

We expect further legal challenges to the program, and we expect to prevail. We are confident not only that we have the authority, but also that it is in the national interest for contracting companies to comply.

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

C  
1

EYES ONLY

January 10, 1979

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CLS*

Subject: Business Plans for Plant and Equipment Spending

Tomorrow (Thursday, January 11) at 10:30 a.m., the Commerce Department will release the results of its latest survey of business plans for capital spending in 1979. The survey, which was conducted in November and December, shows a planned increase of 11.2 percent in 1979, compared with a 12.7 percent rise in 1978. If capital goods prices increase 8 percent next year, as the survey respondents expect, the real increase would be a little over 3 percent.

There is reason to expect a somewhat higher rate of investment than the survey projects. In recent years total business capital expenditures, as measured in the GNP statistics, have been rising faster than the plant and equipment expenditures included in the survey, for two reasons:

- o The GNP statistics include certain items left out of the survey, e.g., farm equipment and oil well drilling.
- o Large differences arise out of measurement problems.

In 1978 total business investment as measured in the GNP statistics rose 16-1/2 percent, almost 4 percentage points higher than the growth shown by the survey. In the last eight quarters, current expenditures for equipment in the GNP statistics have risen twice as fast as the comparable element of the survey data.

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It seems a good bet that total business fixed investment will continue to rise faster in 1979 than the survey shows. The economic forecast that underlies the fiscal 1980 budget incorporates this judgment. We are forecasting a rise in total business fixed investment of 14.7 percent in current dollars this year relative to 1978. That seems to us consistent with the results of this latest survey. If our forecast for this crucial element of GNP is realized, it will improve our chances of getting through 1979 with the kind of moderate slowdown in economic activity that we are hoping for.

THE WHITE HOUSE

WASHINGTON

1/11/79

The Vice President  
Hamilton Jordan  
Stu Eizenstat  
Tim Kraft  
Bob Lipshutz  
Frank Moore  
Jody Powell  
Jerry Rafshoon  
Jack Watson  
Anne Wexler  
Jim McIntyre  
Hugh Carter

Re: Cabinet Summaries

The attached were returned in the President's outbox today and are forwarded to you for your information.

Rick Hutcheson

EYES ONLY

**Community** WASHINGTON, D.C. 20506  
**Services Administration**



C

MEMORANDUM TO THE PRESIDENT

January 5, 1979

Attention: Rick Hutcheson, Staff Secretary

FROM: Graciela (Grace) Olivarez, Director  
Community Services Administration (CSA)

GO

SUBJECT: Weekly Report of Significant Agency Activities  
(Week ending January 5, 1979)

Zavala County Economic Development Corporation.

On December 31, 1978, the Zavala County Economic Development Corporation ceased being a grantee of the Office of Economic Development (OED) and \$729,000 — funds which had been earmarked for Zavala's investment and venture development -- were returned to the Treasury Department. In its initial application, Zavala had requested funds for a farm project. In August, 1977, OED denied approval for the venture and was sued by Zavala. The White House was joined in the suit because Zavala claimed that the Community Services Administration (CSA) had bowed to political pressure in reaching its decision. At trial, Federal District Court Judge Gerhart Gessell found that CSA had acted within the scope of its legislative mandate. Subsequently, CSA decided not to refund Zavala because it had failed to correct many administrative and programmatic defects. Throughout its existence, Zavala was a controversial community development corporation and was cited by both the Government Accounting Office and the Government Operations Committee as an example of a program that never should have been funded.

CSA Funds Denied Newark Community Action Agency.

CSA has decided to notify the United Community Corporation (UCC) of Newark, New Jersey, that it will be denied funding when its program year ends March 1, 1979. Despite recommendations made by CSA over an extended period of time, UCC has failed to make significant program and staff changes and is facing a CSA audit disallowance of \$600,000.

Winter Energy Assistance Program Regulations.

Regulations regarding CSA's \$200 million Winter Energy Assistance Program appeared in the Federal Register on December 28, 1978.

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United States of America  
General Services Administration  
Washington, D.C. 20405

Administrator

January 5, 1979

MEMORANDUM FOR THE PRESIDENT

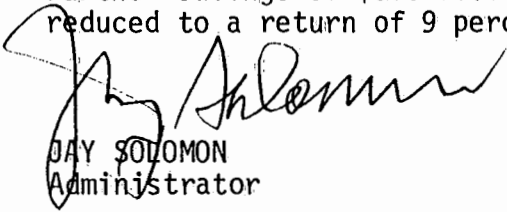
THRU: Rick Hutcheson

SUBJECT: Weekly Report of GSA Activities

AT&T Rate Investigation

On December 20, 1978, GSA filed a petition at the Federal Communications Commission (FCC) for an order to show cause which requests the FCC to establish a rate of return for AT&T in the range of 8.8 - 9.3 percent. AT&T is now authorized a return of 9.5 - 10.0 percent for interstate services. On the same date, the FCC's Common Carrier Bureau sent a letter to AT&T pointing out that AT&T is exceeding the authorized earnings limit and requesting AT&T's plans for bringing its earnings back into the authorized range. These actions coincided with an announcement by AT&T of record earnings for the quarter ending November 1978.

It is estimated that a reduction in AT&T tariff rates to 10.0 percent would save interstate callers approximately \$200 million annually. Further savings of \$600 million annually would accrue if rates were reduced to a return of 9 percent as recommended by GSA.

  
JAY SOLOMON  
Administrator

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C  
/

THE SECRETARY OF COMMERCE  
WASHINGTON, D.C. 20230

January 5, 1979

FYI


REPORT TO THE PRESIDENT

Last month the States Steamship Lines of San Francisco, which operated 11 vessels in the Pacific trades, initiated bankruptcy proceedings. Although the firm's ships involved government mortgage guarantees totaling about \$88 million, the Maritime Administration (MARAD) is now completing arrangements under which it will take over and sell or charter certain of the States Lines ships to Lykes Brothers Steamship Company of New Orleans. This will reduce the government's default exposure to about \$37 million--well within the capabilities of MARAD's ship financing guarantee fund--and will assure that U.S. flag service in the Pacific will not be appreciably diminished. MARAD is working to reduce further or eliminate the government's default exposure in this case and to minimize the risk of future defaults under its mortgage insurance program.

Last week our Office of Minority Business Enterprise (OMBE) jointly announced with the Department of Agriculture the earmarking of over \$300 million of the latter's rural development assistance funds for minority enterprise ventures in a growth industries and technology commercialization program; as part of this program, the Department of Housing and Urban Development is planning to earmark up to \$400 million for similar projects in urban areas. OMBE is serving as the principal Federal coordinating and clearing-house agency to bring applicants and project sponsors together. This function will be carried out through an OMBE-developed system of regional technology centers funded by participating governmental as well as private-sector sponsors. I believe this effort represents a major step forward in terms of effective coordination and cooperation between Federal agencies in this area.

NOAA Administrator Richard Frank reports that the U.S. delegation was substantially successful at the December Tokyo meeting of the International Whaling Commission (IWC) in lowering the IWC 1979 sperm whale quotas. Among other encouraging actions, the IWC voted to set the critical North Pacific quota approximately 40% below its 1978 level (from 6,444 to 3,800). We believe that, on the whole, the conservation community was pleased with the outcome of this meeting.

Some days are tougher than others. I was especially pleased to have the opportunity to appear on NBC's "Meet the Press" this Sunday--until I learned that ABC's "Issues and Answers" would be countering with Bob Strauss during the very same time period. I would hope that you could speak to him about this intrusion upon your return from Guadeloupe.

  
Juanita M. Kreps

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DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20250

Q  
✓

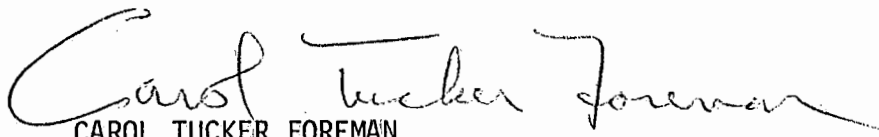
January 5, 1979

MEMORANDUM TO THE PRESIDENT

THROUGH Rick Hutcheson  
Staff Secretary

SUBJECT: Weekly Report

PRC. The New China News Agency reports that the PRC produced 295 million tons of grain in 1978 -- 10 million tons higher than last year. During our meetings in Peking, Chinese officials openly questioned their ability to obtain accurate estimates and were skeptical of the numbers they are receiving. Even if they are accurate the estimates should have little impact on purchases from the U.S. They are most interested in feed grains -- not included in this estimate -- and on making additional grain available for human consumption.

  
CAROL TUCKER FOREMAN  
Acting Secretary

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U. S. DEPARTMENT OF LABOR  
OFFICE OF THE SECRETARY  
WASHINGTON

C  
/

January 5, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: SECRETARY OF LABOR, Ray Marshall *Ray*  
SUBJECT: Major Departmental Activities, January 2-5

Working to coordinate policies in areas important to the Administration and organized labor. In addition to resolving issues related to the minimum wage and other labor protection legislation, I have been working with your other advisors including Stu Eizenstat on developments in the Oil, Chemical, and Atomic Workers negotiations and the Teamsters contract. Today we also discussed the agenda for your meeting next Friday with George Meany and several other international union presidents. I met with Meany yesterday to discuss his concerns and Stu is meeting with him today. I think your meeting can be productive. We will send you a briefing memo early next week and will hope to meet with you briefly before the Meany meeting.

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THE SECRETARY OF THE TREASURY  
WASHINGTON 20220

F.Y.I.

January 5, 1979

C  
/

MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

1. THE DOLLAR

Contrary to widespread market expectations, the dollar appreciated 1-2 percent against the major currencies this week. However, the rise appeared to reflect temporary factors, and the market remained extremely sensitive, especially to developments in Iran. The German and Swiss authorities intervened moderately early in the week to stimulate dollar buying. U.S. intervention was minimal.

2. CLEVELAND FISCAL CRISIS

The City has scheduled a February 27 referendum on increased city income taxes and other measures to relieve the fiscal crisis there. It is not clear that the voters will approve these steps or that, if approved, they will solve the problem. There is a general consensus, however, that the State and City together have the resources to solve it, and that a Federal presence is unnecessary.

3. REAL WAGE INSURANCE (RWI)

The EPG Steering Group has finished substantive work on the proposal and has decided that Treasury will submit it to the Congress the week of January 15. We expect early hearings at Ways and Means and should know the proposal's prospect relatively soon. Given the murky legislative outlook, it is important to avoid creating the impression that Congressional difficulties with RWI would somehow justify ignoring or violating the CWPS 7 percent pay standard. We must also firmly resist inevitable attempts on the Hill to replace RWI with an indexing scheme or a general tax cut.

*Bob Carswell*

Robert Carswell  
Acting Secretary



THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

January 5, 1979

MEMORANDUM FOR THE PRESIDENT

ATTENTION: Rick Hutcheson, Staff Secretary

FROM: Brock Adams

SUBJECT: Significant Issues for the Week of January 2

Progress on Rail Issues - Later this month we will submit to you new legislative proposals for dealing with the nation's rail crisis. In broad terms these proposals will call for relaxed regulation for private railroads, rationalization of the Amtrak national passenger network, and changes in the Northeast Corridor Improvement Project. The proposals are based on a series of Congressionally-mandated studies of the rail system which DOT completed last year. The studies show that without fundamental change the United States will experience continued erosion of passenger service and virtual nationalization of freight service by 1985. I have asked Federal Railroad Administrator John M. Sullivan to complete final staff work on these anti-inflationary proposals which ultimately could improve the nation's rail service while avoiding a potential \$3 - 4 billion in unneeded federal subsidy.

Panama Canal Treaty - I have sent Federal Aviation Administrator Bond to Panama as the Department's representative to execute an agreement between the FAA and the Panamanian Department of Civil Aviation implementing a portion of your Panama Canal Treaty. The ceremony is scheduled for January 8. The agreement that will be signed provides for the transfer of responsibility for air traffic control and related services from the United States to Panama. By the terms of the agreement, the FAA will assist the Panamanians through a five-year phase-in period, providing all necessary training and technological support. The FAA agreement is one of three implementing agreements being executed at that time.

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THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410  
January 5, 1979

MEMORANDUM FOR: The President  
Attention: Rick Hutcheson

SUBJECT: Weekly Report of Major Departmental Activities

First Quarter '79 Action Grants Announced. The first urban county to be offered an Urban Development Action Grant -- Beaver County, Pennsylvania -- is among the 30 metropolitan areas selected to receive a total of \$90.7 million in the first Action Grant awards of 1979. The 30 projects have generated over half-a-billion dollars in private financial commitments. When completed, the projects will create 14,422 new jobs and save an additional 6,268 jobs.

Additional Waivers of Legislative Review Requirements Received. Both the Senate and House Banking, Housing and Urban Affairs Committees have agreed to the Department's request for waivers of the legislative review requirements of Section 7(o) of the Housing and Urban Development Act. The Senate Committee agreed to waive all 43 of the Department's requests while the House Committee agreed to waivers for all but four items.

Other Federal Agencies Have Fair Housing Responsibilities. In response to a request from the Justice Department, HUD's General Counsel has advised that in enacting Title VIII Congress did not intend that the efforts of the Federal government to provide for fair housing be limited to efforts of the Department of Housing and Urban Development. The request came as a result of a court case in Chicago in which the Veterans Administration is charged with failing to adopt some institutionalized system for the administration of its programs to prevent actual or threatened racial transitions in two Chicago neighborhoods.

Urban Homesteading Expanded Into a Nationwide Program. Under final rules issued by HUD, the urban homesteading program is now open to participation by communities across the country. Until now, urban homesteading had been a pilot effort in homeownership tested in 39 cities.

Response to Phoenix Flood Disaster is Underway. Five application centers have been opened to accept applications for housing assistance from families in the nine county disaster area. As of December 27, a total of 238 applications have been received.

The US-USSR Agreement on Housing and Other Construction is Continued. The Secretary has informed her Russian counterpart, Chairman Ignaty Novikov, of the US decision to renew the agreement for another five-year period.

*Pat*  
Patricia Roberts Harris

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# Office of the Attorney General

## Washington, D. C. 20530

January 5, 1979

### Principal Activities of the Department of Justice for the Week of December 31 through January 5, 1979

#### 1. Iranian Student Demonstrations

The Attorney General issued a statement that the Department would undertake immediate legal action against those Iranian students found to be in violation of the immigration laws, following the demonstration in Los Angeles. He has ordered the Immigration and Naturalization Service to dedicate all necessary personnel, including temporary transfers from other cities if necessary, to complete this action as soon as possible. In addition, he has ordered that the INS coordinate its work closely with the U.S. Attorney in Los Angeles. (The text of the Attorney General's statement is attached.)

#### 2. House Assassination Committee Report

The Department will take no position on the announced "conclusions" of the House Assassination Committee until such time as the entire report, with all its supporting evidence included, is received. Public comment has been derived thus far from a short 20-page "summary," which the Department deems inadequate for its determination of what action, if any, is warranted. The full report will not be ready for at least three months.

#### 3. Grumman Corporation Guilty Plea

The Department's Criminal Division consented to the guilty plea of the Grumman Corporation on 12 counts of filing false statements with the Export-Import Bank, certifying that it had not made illegal payments in connection with the export of Grumman Gulfstream II aircraft. The company will be fined \$10,000 for each count, for a total fine of \$120,000.

#### 4. Tennessee Governor's Aides Charged with Extortion

On December 14, three aides to Tennessee Governor Ray Blanton were charged with conspiracy and extortion in a scheme concerning the sale of pardons, paroles and commutations for seven inmates. Charged were T. Edward Sisk, legal counsel to the governor; Charles Benson, extradition assistant, and Charles Frederick Taylor, a 14-year-veteran of the Tennessee Highway Patrol. Sisk and Benson were in possession of \$1,200 and \$2,300 respectively at the time of their arrests. The money was part of marked currency given to Taylor.

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5. Litigating Authority

An article in the Wall Street Journal on January 2, about government litigation did not accurately reflect the reporter's conversation with the Associate Attorney General. The article stated, "At a recent meeting with general counsels of various agencies, Attorney General Bell agreed to negotiate details for delegating some litigation currently handled by the Justice Department to the affected agencies, according to Associate Attorney General Michael Egan." In fact, the reporter was told that as a follow-up to that meeting, the Associate Attorney General would be meeting with the various general counsels to determine how the combined legal resources of the Justice Department and the particular agency could best be utilized in representing the United States in court. The Attorney General had made it abundantly clear in the past, as he did at that meeting, that he had no intention of presiding over the further diminution of the Justice Department's role as the primary litigator for the federal government.

Attachment



# Department of Justice

---

Attorney General Griffin Bell issued the following statement today:

For myself and the Secretary of State, and on behalf of the President, I want to express our considerable concern about the situation our country witnessed this week on television where persons who purport to be foreign students enjoying our nation's hospitality for the purpose of an education, resorted to violence. Such violence is alien to the laws of our nation.

Yesterday, I directed that the Department of Justice undertake an immediate review of our legal options as to such students and the facts as to the status of the students. The immigration status of such persons will be determined as well as whether breaches or violations of the immigration laws have occurred. All participants in such violence will be deported from this country to the extent that the law permits or requires.

Any other visitor to our country who is here to obtain an education and resorts to violence contrary to law should be on notice that we will initiate appropriate legal proceedings to see that their stay in the United States is ended.

THURSDAY, JANUARY 4, 1979



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE  
WASHINGTON, D. C. 20201

January 5, 1979


MEMORANDUM FOR THE PRESIDENT

SUBJECT: Weekly Report on HEW Activities

- SSA Reorganization: Today we announced the reorganization of the Social Security Administration. To focus our attention on particular challenges, we are increasing the number of Associate Commissioners from four to eleven -- which, incidentally, gives us the chance to move minorities and women into these high-level positions. We are moving top priority responsibilities to these new Associate Commissioners -- for example, computer systems to one, assessment (fraud, abuse and waste) to another. To upgrade our services to the Nation's citizens, the regional commissioners will report directly to the Deputy Commissioner for Operations.
- Smoking: On Thursday, fifteen years after the first Surgeon General's Report on Smoking, and one year after announcement of my anti-smoking initiative, the Surgeon General and I will release the Second Surgeon General's Report on Smoking.
- Congressman Lott Letter: I received your message, written in the margin of your summary of Congressional mail of December 28, to call Congressman Trent Lott in response to his inquiry concerning the effect of Title IX on the activities of the Jaycees on college campuses. I responded to Congressman Lott on December 27, to the effect that Title IX prohibits colleges and universities receiving Federal financial assistance from providing significant assistance to organizations that discriminate on the basis of sex, without identifying the Jaycees as a discriminating organization. The letter, which I have attached, was widely reported in the press last week.

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- Hispanic Employment: In late October, you asked me for another report after January 1 on the status of Hispanic employees in HEW. We have increased the percentage of Hispanics from 2.8 percent in September 1978 to 3.2 percent now. In addition, the number of Hispanics who have joined the Department recently continues to hold at 4.0 percent of all new employees. I will report to you in April on our progress in the first quarter of the calendar year.
- Generic Drugs: On Tuesday, I will join Mike Pertschuk in a press conference (postponed from several weeks ago -- see December 15 Report) to unveil a model State law designed to reduce drug prices by encouraging the substitution of generic drugs for brand name products. I will also announce additional action HEW is taking in this area. Our aim is to encourage competition in the sale of drugs.
- Puerto Rico Trip: On Thursday night I will leave for two days of site visits to HEW funded projects in health, education, and social services in Puerto Rico. This should help provide some material for an Hispanic initiative we are working on at HEW. Hale Champion will be Acting Secretary.

  
Joseph A. Califano, Jr.



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE  
WASHINGTON, D. C. 20201

December 27, 1978

The Honorable Trent Lott  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Lott:

Thank you for your letters inquiring about the effect of Title IX of the Education Amendments of 1972 on Jaycees' activities on college campuses.

As a general rule, if an organization discriminates on the basis of sex, Title IX prohibits a college receiving federal funds from providing any special status or privileges to that organization. The effect of Title IX on specific activities of Jaycees' chapters on particular college campuses requires a case by case determination under that general standard.

The regulation implementing Title IX, which was signed by President Ford in 1975, bars an institution receiving federal funds from providing "significant assistance" to any organization that, in its services or programs, discriminates on the basis of sex. Section 86.31(b)(7) of the regulation provides:

- (b) ...[I]n providing any aid, benefit, or service to a student, a recipient shall not, on the basis of sex:
  - (7) Aid or perpetuate discrimination against any person by providing significant assistance to any agency, organization, or person which discriminates on the basis of sex in providing any aid, benefit or service to students or employees . . . .

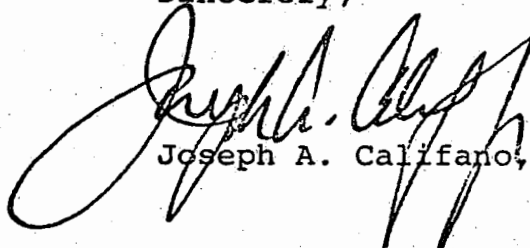
In the law itself, the Congress specifically exempted a few organizations, such as the Girl Scouts and the Boy Scouts, from this provision of Title IX.

Page 2 - Mr. Lott

A college is providing "significant assistance" if it gives an organization special status or privileges that it does not offer to all community organizations. Such privileges might include official recognition of the organization, the designation of faculty sponsors, or the use of campus facilities at less than fair market value.

The Department's Office for Civil Rights will be pleased to assist in resolving any specific questions that may arise in applying Title IX to a particular fact situation.

Sincerely,

A large, stylized handwritten signature in dark ink, appearing to read "Joseph A. Califano, Jr.", is written over the typed name.

Joseph A. Califano, Jr.

THE WHITE HOUSE  
WASHINGTON

1/11/79

Fran Voorde  
Phil Wise

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
appropriate handling.

Rick Hutcheson

THE WHITE HOUSE  
WASHINGTON

January 10, 1979

MR. PRESIDENT:

Wayne Smith has forwarded a request from three Korean Protestants (2 Baptists and 1 Presbyterian) to meet with you briefly at next week's National Prayer Breakfast. They are Billy Kim, a Baptist minister who interpreted for Billy Graham; Dr. Lyun Joon Kim, president of Han Yang University in Seoul; and Ik Joon Kim, a member of the National Congress of Korea. You met Billy Kim and Ik Joon Kim while Governor in Georgia. NSC has cleared them politically.

Shall I:

- ☐ Regret the request.
- ☐ Have them invited to be with the group of 15-20 that Harold Hughes is selecting for you to see before the Prayer Breakfast.
- ☒ Set up a short, separate meeting.

PHIL

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THE WHITE HOUSE  
WASHINGTON

1/11/79

Frank Moore  
Zbig Brzezinski

The attached was returned in  
the President's outbox. It is  
forwarded to you for your  
information.

Rick Hutcheson

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION

FOR ACTION  
FYI

	VICE PRESIDENT
	JORDAN
	EIZENSTAT
	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	RAFSHOON
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	ARONSON
	BUTLER
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	HARDEN
	HERNANDEZ
	HUTCHESON
	KAHN
	LINDER
	MARTIN
	MILLER
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SANDERS
	WARREN
	WEDDINGTON
	WISE
	VOORDE

	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

*Bring Is-Es together  
Goldberg - plenipotentiary  
a) WBK. - Sadat can't deliver*

THE WHITE HOUSE  
WASHINGTON

*done -  
Baris msg -  
"expedite  
talks"*

JANUARY 10, 1979  
4:30 P.M.

*b)*

MR. PRESIDENT

SENATOR JAVITS WOULD LIKE  
TO TALK TO YOU AS SOON AS  
POSSIBLE ABOUT THE SITUATION  
IN THE MIDDLE EAST --  
SPECIFICALLY ISRAEL AND  
EGYPT.

DAN TATE RECOMMENDS YOU CALL  
HIM SINCE HE IS GOING TO BE  
THE RANKING REPUBLICAN ON THE  
FOREIGN RELATIONS COMMITTEE.  
HOWEVER, YOU SHOULD BEAR IN  
MIND THAT THE SENATOR MAY  
DISCUSS HIS CONVERSATION  
WITH YOU WITH THE PRESS.

PHIL

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3:45 PM

THE WHITE HOUSE

WASHINGTON

January 11, 1979

C  
/

MEMORANDUM TO: PRESIDENT CARTER

FROM:

Sarah Weddington *S.W.*

Louis Martin *M*

We are very concerned that your commitment to significantly increase the number of minority and women judges be carried out. This is important for a number of reasons:

1. With equal division, one-half of the persons selecting the next nominee will be women. Women are a large portion of the voting public. The Memphis convention adopted a statement that 51 of the judges should be women. The minority vote is extremely important to the reelection effort.
2. The issue is a very simple one and one that is easily understood by both minorities and women and therefore it becomes a key issue. Feelings in both groups across a broad spectrum are very strong. Both groups will focus on the judgeship issue to gauge our commitment and our truthfulness.
3. There are few other initiatives we can make to appeal to either group because of financial constraints. This one "doesn't cost money."

We understand that you will today consider recommendations that numerically are as follows:

Recommendations for 59 judgeships. (Almost 1/3 of the total openings.)  
Of those:

Women: 4 (Two of them black)  
Minorities: 6 (Two Black men)  
(Two Hispanic men)  
(Two Black women)

Total individuals: 8

In twelve of the 15 states no women were recommended. In ten out of 15 states no minorities were recommended.

The bottom line is that this simply will not sell.

We know that there must be political pressures from members of the Senate, but please do not accept the situation that results from these recommendations.

A similar memo has been sent to Bob Lipshutz and Hamilton Jordan.

THE WHITE HOUSE  
WASHINGTON

1/11/79

Zbig Brzezinski

The attached was returned in the President's outbox today and is forwarded to you for your information and appropriate handling.

Please forward the original memo to Secretary Brown.

Rick Hutcheson

cc: Frank Moore

~~Zbig Brzezinski~~

*Jim McIntyre*

THE WHITE HOUSE  
WASHINGTON

1/9/79

Mr. President:

NSC concurs.

Congressional Liaison thinks that there may be a negative reaction on the Hill to Secretary Brown's recommendations, and suggests that you request an assessment of the political consequences before approving his recommendations.

Rick



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

C

RL

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. McIntyre, Jr. *Jim*

SUBJECT: Recommendations of the Secretary of  
Defense on Military Compensation  
Reform

Secretary Brown has provided you with his recommendations on military compensation reform. His decisions represent a difficult compromise between the no-change preference of the armed service chiefs and the proposals made by your Commission on Military Compensation last April.

I feel that the Defense recommendations, particularly regarding deferred compensation and retirement, constitute a very substantial reform. They would improve equity by providing post service income to a larger proportion of the force and introducing vesting, enhance force management by increasing the attractiveness of service beyond the initial commitment and beyond twenty years for careerists, and could reduce retirement costs, after a prolonged transition period, by 30% to 40% annually.

Accordingly, I recommend that you approve Secretary Brown's recommendations and request that the legislative package be submitted to Congress by March 15, 1979. This timing will permit the legislation to be coupled with reforms proposed for the federal civilian compensation program. A memorandum to this effect for Secretary Brown is attached for your signature.

Attachment

Electrostatic Copy Made  
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THE WHITE HOUSE

WASHINGTON

January 11, 1979

MEMORANDUM FOR THE SECRETARY OF DEFENSE

I approve the recommendations made in your December 12, 1978 memorandum to reform the military compensation system.

To assure coordination with the federal civilian compensation reforms, I would like to have your legislative package submitted to Congress no later than March 15, 1979.

*Jimmy Carter*

*Harold: Check legislative strategy  
with Frank Moore.*

*J*

7512

THE SECRETARY OF DEFENSE  
WASHINGTON, D. C. 20301

DEC 12 1978

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Recommendations of the Commission on Military Compensation

Earlier this year your Commission on Military Compensation presented a thoughtful and constructive set of recommendations. After eight months of intensive discussion and analysis by my staff and those of the Services, I am pleased to say that the Department agrees with the fundamental conclusions of the Commission report.

Though we differ from the Commission on some particulars in the light of tight budgets and substantial personnel recruitment needs to satisfy our national security demands, the Commission's call for restructuring the military retirement system at steady state costs below present levels seems to us to be right. At the same time, the Commission's proposals to enhance equity among service members through geographically varying housing allowances and junior enlisted travel benefits seem to us to be well taken. We also appreciate the sensitivity to the special mores and singular needs of the military community displayed in the Commission's emphasis on retaining the system of pay and allowances and in its call for improvement of the system of health care.

A summary of our positions on the more salient issues follows. After detailed discussion with the Office of Management and Budget I would like to submit corrective legislation this Spring. With a special effort I think we can both improve the management of this compensation system and end the uncertainty and turbulence that has been associated with debates on this subject for more than a decade.

*Harold Brown*

01324

ACTIVE DUTY PAY

Subject: Form of Military Compensation

Recommendation of PCMC: The pay and allowances system should be continued rather than convert to a salary system.

DoD Position: Concur

Subject: Basic Allowance for Quarters

Recommendation of PCMC: The basic allowance for quarters (BAQ) should be varied to reflect local housing costs.

DoD Position: Concur

Subject: Comparability Standards for Setting and Adjusting Military Compensation

Recommendation of PCMC: Comparability standards between military and civilian jobs should not be used to set military pay levels.

DoD Position: Concur

Subject: Annual Military Pay Raise

Recommendation of PCMC: The SecDef should have discretionary authority, starting with existing pay levels, to propose differential allocations of annual pay raises, linked in the aggregate to Civil Service raises, to help solve manning problems. Such differentials might be based on grade, service, duty location, or skill; and could incorporate reallocation between basic pay and allowances for quarters and subsistence.

DoD Position: The DoD agrees with the findings of the commission in this area but would limit the use of differential pay raises. The Department does not support multiple pay lines but supports using

differential pay raises to adjust pay levels by grade and longevity as has been done on occasion in the past. The Department advocates retention of its authority to reallocate between basic pay and allowances.

Subject: Special and Incentive Pays

Recommendation of PCMC: All special and incentive pays should be oriented to serve as management tools to solve manning problems. Incentive pay for officers and bonuses for enlistment and reenlistment should be related to manning levels in particular skills. In addition, a second category of special pays for enlisted personnel should be authorized to recognize hardship duty by skill and location.

DoD Position: The Department supports the findings of the commission on this issue. However, the Department recommends that current levels of special and incentive pays be maintained pending an evaluation of each on its merits.

#### RETIREMENT PAY\*

Subject: Structure of the Retirement System

Recommendation of PCMC: Separate current retirement payments into two categories: payments designed to help sustain the recipient in old age, and pre-old age deferred compensation.

DoD Position: Concur

Subject: Old Age Retirement

Recommendation of PCMC: Accumulate old age benefits at levels like those associated with the present retirement system. After the tenth year of service vest equity in old age payments. Begin old age payments at ages between 55 and 62 depending on length of service. Offset old age payments in proportion to the recipient's social security benefits.

\*The DoD plan is described in detail at Tab A.

DoD Position: Concur, save that old age payments should begin at age 60 for all personnel.

Subject: Pre-Old Age Deferred Compensation

Recommendation of PCMC: Restructure the retirement system so as to eliminate the significance of the 20 year retirement point. Permit members to begin receiving deferred compensation benefits after their tenth year of service. By this means increase the attraction to members serving at least ten years, reduce the rigidities of the system that cause few members to leave or to be discharged between ten and twenty years, and enhance the equity of the system for those members who leave between ten and twenty years.

DoD Position: Concur in the principles of the PCMC recommendation. We favor permitting members to begin receiving deferred compensation between their tenth and fifteenth years of service. However, we see the twenty year point as an important management tool. In our view the draw to that point may appropriately be attenuated, but not eliminated. Accordingly, the Department proposes to maintain a draw towards twenty years of service by not funding increased withdrawal payments between fifteen and twenty years, but instead concentrating a substantial increment in benefits at the twenty year point.

Subject: Levels of Deferred Compensation

Recommendation of PCMC: Provide pre-old age deferred compensation at minimum levels consistent with adequate retention. The benefits proposed by the Commission would result in reductions of nearly 60 percent for members serving 20 years with virtually no reduction for

those completing 30 years of service. The PCMC plan would provide some \$8,600 at 10 YOS, \$23,000 at 15 YOS, and \$39,000 at 19 YOS plus old age benefits for enlisted members who now would receive nothing if they separated at these points. Payouts would be in the form of vested, withdrawable trust fund accumulations.

DoD Position: Reduce pre-old age deferred compensation substantially. Use high-2 average basic pay instead of final basic pay to compute retirement annuities. For members who complete 20 years, provide annuities of 37.5 percent of basic pay instead of 50 percent. For those serving 30 years, offer annuities of 62.5 percent instead of 75 percent. Permit early withdrawals, before reaching the 20-year point, ranging from 10 months of basic pay at 10 YOS (\$6,000 for an enlisted member of average rank) to 20 months basic pay at 15 YOS (\$20,000 for an enlisted member). Offset early withdrawals by equivalent reductions in pre-old age payouts for those who reach 20 years of service. For members who separate before the 20 year point, early withdrawals would substitute for old-age benefits.

The commission proposal would lead to eventual cost reduction of about 30 percent from the levels of the current retirement system, following an increase of about 10 percent during a transition period. The DoD plan would yield a similar pattern of substantial savings after a transitional increase.

Subject: Severance Pay

Recommendation of PCMC: Provide severance pay for all involuntary separatees who complete at least five years of service.

DoD Position: A Departmental proposal concerning levels of severance pay will be forthcoming after your guidance is received on the retirement system.

Subject: Transition Provisions

Recommendation of PCMC: All members of current force who have at least four years of service should remain under current retirement system. All others should be included under new system.

DoD Position: Our objective is to provide all members now serving with the option of either continuing in the present system or participating in the new system in return for an appropriate period of obligated service.

#### OTHER RECOMMENDATIONS

Subject: Longevity Pay Increases

Recommendation of PCMC: The Commission recommended basing longevity pay increases on time-in-grade rather than time-in-service as a way to enhance the pay of superior performers.

DoD Position: While the Department sees some merit in the findings of the Commission on this issue the current time-in-service system is functioning well and could be adjusted to achieve most of the advantages of time-in-grade system. Currently under development is a method of accomplishing such adjustments through the mechanism of reallocating annual pay raises.

Subject: Military Health Care

Recommendation of PCMC: The Commission recommended that the provision of health care to service members and their dependents be continued as a basic policy and practice. In addition, the Commission recommended that a thorough study be conducted to determine the most cost-effective means of delivering health care.

DoD Position: Concur

Subject: Junior Enlisted Travel Entitlements

Recommendation of PCMC: The commission recommended full travel entitlements for all personnel regardless of grade.

DoD Position: The Department supports this concept, and has implemented the entitlements for overseas travel as provided in the FY 1979 budget.

	<b>A</b>
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## DoD RETIREMENT PROPOSAL

I. General Structure. The DoD plan provides two levels of annuities for members who serve careers of different lengths. Members who serve at least 20 years would be eligible for immediate annuities upon retirement, as at present. The levels of their annuities would vary with their lengths of service. When they reached old age (defined as age 60) they would become eligible for larger permanent annuities.

Members who separate from military service with at least 10 but fewer than 20 years of service would not be eligible for immediate annuities, but would be entitled to receive old-age annuities (after age 60) at levels dependent upon their actual lengths of service.

Members who served fewer than 10 years would not be eligible for any retirement or post-service benefits.

All members who served 10 or more years would be permitted to withdraw cash amounts. These withdrawals would be debited on an individual basis against the post-separation annuities for which the members would otherwise be eligible.

II. Pre-Old Age Benefits. A member's retirement annuity would be calculated in terms of the average of his high two years of basic pay. For each of his first 10 years of service a member would be entitled to an annuity of 1.75 percent; for each of the next 10 years (11-20), an annuity of 2.0 percent; for all years of service beyond 20, an annuity of 2.50 percent. The maximum annuity would be 76.5 percent of high-two basic pay.

Under this system, a member retiring after 20 years would receive an annuity of 37.5 percent of high-two basic pay. Someone retiring after 25 years would receive an immediate annuity of 50.0 percent. A retiree with a 30-year career would earn an immediate annuity of 62.5 percent.

III. Old-Age Benefits. Receipt of old-age annuities would begin for all members at age 60. Annuities would be calculated as percentages of high-two basic pay. Each of the first five years of service would entitle a member to an annuity of 2.0 percent; years between five and ten would earn 2.25 percent, and all years of service beyond 10 would provide annuities of 2.75 percent. The maximum old-age annuity would be 76.25 percent. These are the multipliers proposed initially by the President's Commission on Military Compensation.

Under this system, a member separating after 10 years of service would eventually receive an old-age annuity of 21.25 percent of high-two basic pay. A member with 20 years of service would earn an old-age annuity of 48.75 percent. A 30-year career would entitle a member to an old-age annuity of 76.25 percent.

Members' old-age annuities would be reduced partially by their receipt of social security benefits.

IV. Early Withdrawal. All members who complete 10 years of service would have the option of withdrawing cash benefits immediately instead of waiting until retirement or old age.

Levels of withdrawal would be linked to the members' basic pay at the time of withdrawal. The total amount of such early withdrawals would be one month's basic pay for each year of service for the first ten years of service; and an additional one month's basic pay for each six months of service, for 11-15 years of service. Thus, a member would be entitled to an early withdrawal of 10 months' basic pay upon completion of his tenth year of service, a total of 12 months' pay after completion of eleven years, and so on up to a maximum of 20 months' basic pay after completion of fifteen years of service.

Members who made early withdrawals and then separated prior to completing 20 years of service would not be eligible for old-age annuities unless these withdrawals were repaid.

Members who made early withdrawals and subsequently reached the 20 year point would have their pre-old age annuities reduced in correspondence to their early withdrawals. They would have the option of repaying their withdrawals and thus, restoring their annuities to pre-withdrawal levels.

THE WHITE HOUSE

WASHINGTON

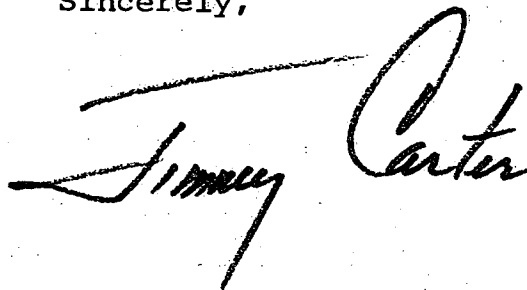
January 11, 1979

To Jerry Doolittle

I want to take this opportunity to personally express my appreciation for the contributions you have made to my Administration. You have worked hard and selflessly, and I am grateful for your efforts in my behalf.

With best wishes for much continued success in your new position with the Federal Aviation Administration,

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned below the word "Sincerely,".

THE WHITE HOUSE  
WASHINGTON

January 5, 1979

*Susan*  
*"7h" LMS*  
*C*

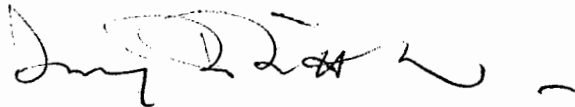
Dear Mr. President:

I'm leaving within a few days to go to work for Langhorne Bond at the Federal Aviation Administration. Before going, I wanted to tell you how grateful I am for the chance to work for you, both in the campaign and here in the White House. I could never do so much for you as you have done for me, but I hope that I have been of some small help, nonetheless, these last two years.

My personal news is that a novel of mine has been bought and will be out later this year. I should add, in a great hurry, that it has nothing whatsoever to do with the White House, and is set in the Washington of the Kennedy years.

My thanks, again, for the privilege of working for you. May all your polls be high ones.

Best wishes,



Jerry Doolittle

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SS ref + H Cost/Est  
= 81 SS for 2

Change in the Inflation Outlook  
Since the October Anti-Inflation Speech

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1979  
inflation  
in  
consumer  
prices <sup>1/</sup>

<u>October inflation forecast,</u> <u>with widespread compliance</u> .....	6.0 - 6.5
o Slower productivity growth ..... (productivity now forecast to grow at 0.6% instead of 1.7%)	+1.1
o Higher food price increases ..... (food prices now expected to rise at 8% instead of 6-1/2%)	+0.3
o Higher OPEC prices ..... (OPEC raised prices by 14-1/2% instead of the 7% earlier forecast)	+0.2
o Higher wage growth ..... (wages of exempt low wage employees and other exempt groups will probably grow faster than we estimated)	+0.5
o Slower economic growth leads to some squeeze on profit margins .....	-0.6
o Impact of Proposition 13 ..... (the reduction in California property taxes will show up in the CPI)	-0.2
<u>New estimate</u>	<u>7.3 to 7.8</u>